

# **SALES AND USE TAX REVIEW COMMISSION**

## **RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

**BILL NUMBER:** A-2416

**DATE OF  
INTRODUCTION:** 5/11/00

**SPONSOR:** Assemblyman Doria

**DATE OF  
RECOMMENDATION:** 8/4/00

**IDENTICAL BILL:**

**COMMITTEE:** Assembly Law and Public Safety Committee

**DESCRIPTION:** This bill would impose a wholesale tax on alcoholic beverages and exempt the sales of alcoholic beverages from the New Jersey sales and use tax.

**ANALYSIS:** This bill would impose an alcoholic beverage wholesale sales tax on receipts from the sale of alcoholic beverages to retail licensees. This would reinstate a tax that was in effect in 1990 but repealed at that time in favor of imposing sales tax on sales of alcoholic beverages at the retail level.

There is a concern about the breadth of a wholesale tax vis a vis tax burden. In order to have relatively low rates of excise taxation, a tax must have a broad base. If the base is severely restricted, as it would be in this situation, much higher rates of taxation are necessary if revenue neutrality is to be maintained. It is true that the wholesale tax would be passed along to consumers who would no longer pay a sales tax on their purchases. However, it is also true that the wholesale tax would result in higher retail prices. That would depress consumption while at the same time increase the retailer's cost of doing business. Thus, shifting the tax to be wholesale level could have more than a minimal effect on the alcoholic beverage sector of the state's economy. Possible consequences include shifts in consumption and distribution of goods and restrictions on economic growth in the industry.

**Page 2**  
**A-2416**  
**August 4, 2000**

**RECOMMENDATION:** The Sales and Use Review Commission does not recommend this bill for enactment.

**COMMISSION MEMBERS FOR PROPOSAL: 0**

**COMMISSION MEMBERS AGAINST PROPOSAL: 5**

**COMMISSION MEMBERS ABSTAINING: 1**

**COMMISSION MEETING DATE: 7/26/00**